



DATE: April 5, 2017

TO: Barbara Harris, Assistant City Manager

FROM: Internal Audit Division

SUBJECT: Bingham/English Multi-Family Properties 2015-2016
(No Response Required)

The Internal Audit Division has performed our compliance review for the year ended June 30, 2016 for Bingham/English Multi-Family Property. This property was rehabilitated with a loan provided by the City of Greensboro ("City") and was designed for the benefit of low-income individuals or families in the Greensboro area. Affordable Housing Management, Incorporated ("AHM") managed these properties.

Bingham/English is located at 225 Bingham Street (5 units) and 316 S. English Street (6 units). It received a loan from the City in the amount of \$215,000 in March 1993. This loan was due to be repaid to the City annually starting on October 1, 2000 based upon a percentage of cash flow. This loan is non-interest bearing, due in full on February 1, 2023. The balance on the loan was \$213,753 as of fiscal year ended June 30, 2016. There was no payment due to the City as a result of cash flow for the fiscal year end.

There was no physical inspection or tenant file review performed at the time of our review. On July 19, 2016, City Council approved the reduction in loan value for 316 S. English Street and 225 Bingham Street from \$213,752.79 to \$113,062 as a condition of the property transfer to Cottage Grove, LLC. On October 13, 2016, the Bingham/English Multi-Family Property was sold to Cottage Grove LLC; and the City received proceeds at closing totaling \$113,062. The loan was paid off and removed from the City's Construction Loan Control System ("CLCS") database.

In our review of the fiscal year ended June 30, 2016 audited financials, we noted that the property had current assets of \$1,698 and current liabilities of \$55,592; resulting in **negative** working capital of (\$53,894). However, we also noted that deferred management fees due to Affordable Housing Management, Incorporated was \$54,920; which represents approximately 99% of the total current liabilities.

We examined selected financial transactions maintained by the entity for compliance with the loan agreement. Based on our review, it appears that the terms of the loan agreement have been met.

We would like to thank Ms. Debbie Osborne, Finance Director, and the staff of Affordable Housing Management, Incorporated for their courtesy and cooperation shown to us during this visit. If there are any questions or comments concerning the details of this visit, we can be reached at 373-4528.



Tina McKoy
Internal Auditor



Len Lucas
Internal Audit Director

Cc: Chris Wilson, Assistant City Manager
Cyndi Blue, Manager of Housing Services, Neighborhood Development
Lamont Taylor, Administrative Services Manager, Neighborhood Development
Caitlin Bowers, Grant Administrator, Neighborhood Development
Charla Gaskins, Federal Compliance Coordinator, Neighborhood Development
David Levy, Executive Director of Affordable Housing Management, Incorporated



NEIGHBORHOOD DEVELOPMENT

April 4, 2017

David Levy, Affordable Housing Management, Inc.
Bingham/English Multi-Family Property
330 S. Greene St., Ste. B-11
Greensboro, NC 27401

Dear Mr. Levy:

Enclosed is a copy of the City of Greensboro's programmatic review of the loan agreement between the City of Greensboro and Greater Greensboro Housing Foundation, Incorporated for a loan for the rehabilitation of eleven apartment units located at 225 Bingham Street and 316 S. English Street.

Neighborhood Development staff appreciates the assistance and documentation that Ms. Debbie Osborne, Finance Director; and the staff of Affordable Housing Management, Incorporated provided during the monitoring visit.

Sincerely,

Charla Gaskins
Federal Compliance Coordinator

B. Lamont Taylor
Grants, Finance, & Administration Manager

Programmatic Review of Bingham/English Multi-Family Property

Overview

Greensboro Episcopal Housing Ministry, Incorporated entered into a loan agreement with the City for a period beginning February 24, 1993 and ending February 1, 2023. As of May 27, 1999, the loan has been transferred to Greater Greensboro Housing Foundation, Incorporated. The non-interest bearing loan, funded with \$148,500 from the the federally funded HOME Investment Partnerships Program and \$66 500 from the Greensboro Housing Partnership Funds, helped rehabilitate eleven apartment units. The units are called Bingham/English Multi-Family Property and are managed by Affordable Housing Management, Incorporated (formerly known as Greater Greensboro Housing Foundation, Incorporated).

The loan repayment schedule with Affordable Housing Management, Incorporated began October 1, 2000 with subsequent payments due each October 1. Principal payments are calculated based upon a percentage of cash flow. As of June 30, 2016, the balance of this loan was \$213,753.

In July 2016, as a condition of the property transfer of Bingham/English Multi-Family Property to Cottage Grove, LLC, City Council approved a reduction in loan balance, resulting in a remainder of \$113,062. On October 13, 2016, the sale of Bingham/English Multi-Family Property was complete. The City received \$113,062 that paid off the loan. The City removed the loan from the City's Construction Loan Control System (CLCS) database.

The purpose of this programmatic review is to determine whether Affordable Housing Management, Incorporated met agreement requirements, and HOME rules, regulations and requirements during fiscal year 2014-2015 and fiscal year 2015-2016. The English Street building has been vacant since November 19, 2015, so Affordable Housing Management, Incorporated provided Bingham Street resident files and financial documentation for the City of Greensboro's Neighborhood Development staff and Internal Audit staff to review. This review will focus on the Bingham Street building.

Process

City of Greensboro staff conducted a monitoring visit of the Bingham/English Multi-Family Property on February 9, 2017 and March 17, 2017. Prior to the visit, the City provided a letter to Affordable Housing Management, Incorporated to schedule the visit and to request documentation needed to conduct the review. In response to the letter, Affordable Housing Management, Incorporated confirmed scheduling and provided copies of requested documentation. During the visit, Internal Audit conducted a financial review and Neighborhood Development conducted a programmatic review. Staff of Affordable Housing Management, Incorporated was available to answer any questions.

Review of Certification of Tenant Incomes

The purpose of this review is to determine compliance with agreement requirements and verify eligibility documentation was maintained for each resident. Per the agreement, households occupying all units must have initial incomes at or below 50 percent of the area median income, adjusted for family size. Neighborhood Development reviewed two files for fiscal year 2014-2015 and two files for fiscal year 2015-2016. The files were in order and included tenant income certifications and supporting income documentation. Project Compliance Reports shows that tenant incomes were within threshold limits at the time of recertification during both fiscal years under review. Tenant income complied with the agreement.

Review of Lead Based Paint Disclosure

The purpose of this review is to determine whether funding requirements are being met. All files reviewed had documentation that disclosed lead based paint/hazards.

Review of Residential Lease

The purpose of this review is to determine compliance with agreement requirements. Of the files reviewed, documentation showed that all residents signed a lease at move-in and all initial leases were for one year. Residents renew leases on a month-to-month term. Residential leases appear to comply with the agreement.

Review of Rents

The purpose of this review is to determine compliance with the agreement. Per the First Amendment to the loan agreement, for ten years following completion of the rehabilitation, the maximum rent for all units, except for increases in tenant incomes, will not exceed 30% of the adjusted gross income of a three-person household whose gross income equals 50% of the median income for the Greensboro-High Point-Burlington Standard Metropolitan Statistical Area. These restrictions shall remain in effect for up to 20 additional years or until the loan is repaid. Due to the sale of the Bingham Street property in October 2016 and the subsequent repayment of the loan with the City, this will be the final review for the compliance.

For 2016, rent plus utility limits are as follows:

	Current Bingham Street Max HOME Rent	LIHTC (50%)
2 bedroom (3 person)	\$548	\$662

All of the unit rents for the Bingham Street building appear to comply with the agreement.

Review of Property Standards

The purpose of this review is to determine compliance with agreement requirements for improvements, maintenance and repairs to the property. Neighborhood Development reviewed

two files for fiscal year 2014-2015 and two files for fiscal year 2015-2016; all were 2-bedroom units. All files reviewed had an inspection form signed by management.

In October 2016, Affordable Housing Management, Incorporated transferred ownership of Bingham/English Multi-Family Property to Cottage Grove, LLC. A physical inspection of the property did not occur at the time of the review.

Review of Contractual Compliance

Affordable Housing Management, Incorporated has maintained insurance coverage and has named the City of Greensboro as the insured on the policy. Based on Neighborhood Development's review of files and program documentation, it appears that Affordable Housing Management, Incorporated has met the agreement and funding requirements for fiscal years 2014-2015 and 2015-2016. Internal Audit examined selected financial documentation for compliance with the loan agreement. Based on their review, it appears that the terms of the loan have met the agreement.

Property Base Indicators

Red Flag Indicators for FY 15/16	Threshold	Property results	Red Flag
Physical Occupancy FY 15/16	>85%	100%	-
Average Vacant Unit Offline Time FY 15/16	<45 Days	0 Days	-
Adhering to HOME and/or Agreement	Adherence	Yes	-
Change in Revenue	Positive	No	-
Affirmative Marketing Policy	Adherence	N/A	-
Property Taxes Paid On Time	Achieved	N/A	N/A

Red Flag Indicators for FY 16/17	Threshold	Property results	Red Flag
Physical Occupancy FY 16/17	>85%	100%	-
Average Vacant Unit Offline Time FY 16/17	<45 Days	0 Days	-

Summary: Affordable Housing Management, Incorporated transferred ownership of the Bingham Street property in October 2016. While under ownership of Affordable Housing Management, Incorporated, Bingham Street building was at full occupancy during fiscal years 2015-2016 and 2016-2017. The Property Base Indicator tables above show that the property performed well. Although there was a negative change in revenue, the overall cash flow remained positive so the indicator did not receive a red flag. Affordable Housing Management, Incorporated provided decent housing to qualified residents through the management of Bingham/English Multi-Family Property.

Affordable Housing Management, Incorporated satisfied the repayment of the loan with the City in conjunction with the sale of the Bingham/English Multi-Family Property, thus bringing the terms of the loan agreement and the affordability period to an end. This programmatic review,

which encompassed the final two review periods, will be the final programmatic review of the property. Neighborhood Development does not require a response.